GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

UNSTARRED QUESTION NO:1194
ANSWERED ON:26.11.2007
AGRICULTURAL COST
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Will the Minister of AGRICULTURE be pleased to state:

(a) the rise in agricultural input cost and its effect on the farmers during the last three years;

(b) whether the interest of farmers in Agriculture Sector is declining as a result thereof; and

(c) if so, the steps being taken by the Government to check the rise?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI KANTI LAL BHURIA)

(a) to (c): The Index Numbers of Wholesale Prices (Base 1993-94 = 100) for farm inputs for the last three years is as under:

Year Annual Average (July-June)	Ferti-lizers	Elect-ricity	Pesti-cides	Non-Elect-rical Mach-inery	Trac-tors	Lubri-cants	Diesel Oil (HSDO)	Diesel Oil (LDO)	Fodder	Cattle Feed
2003-04	169.2	270.0	130.0	164.0	162.8	171.9	307.4	298.2	196.1	188.6
2004-05	172.0	274.8	133.3	180.3	169.2	189.9	377.3	386.3	168.1	177.8
2005-06	175.1	300.8	150.2	189.6	179.4	203.2	446.8	464.0	198.8	176.1

Source: Office of the Economic Adviser, Ministry of Commerce and Industry.

Keeping in view the rise in input costs, the Government announces Minimum Support Prices (MSPs) on the recommendations of Commission for Agricultural Costs and Prices (CACP), which in turn are based on a number of important factors, inter-alia, cost of production, changes in input prices, input/output price parity, trends in local and global market forces, inter-crop price parity, and parity between prices paid and prices received by the farmers. No report as such on declining interest of farmers as a result of rise in input costs has been received.

The Government decides on the MSPs for various agricultural commodities keeping in view
(i) the need to provide incentive to the producer for adopting improved technology and for developing a production pattern broadly in the light of national requirements;
(ii) the need to ensure rational utilization of land, water and other production resources;
(iii) the likely effect of the price policy on the rest of the economy, and
(iv) terms of trade between agricultural sector and non-agricultural sector.

The Government of India has taken several steps to improve agricultural growth and return on investment in agriculture. These include declaration of MSPs before sowing season, measures to improve production and productivity of various agricultural commodities through ensuring easy availability of credit, irrigation facilities, crop diversification, marketing infrastructure and extension services.